

TENNESSEE EDUCATION LOTTERY CORPORATION
Funding Board Presentation
May 7, 2007

UPDATED
ESTIMATION OF
TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING
JUNE 30, 2007 and 2008

TENNESSEE EDUCATION LOTTERY CORPORATION
ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS
FOR FISCAL YEARS ENDING JUNE 30, 2007 and 2008
(in Millions)

SUMMARY INFORMATION FOR FISCAL YEAR 2007:

As of March 31, 2007:

Gross Ticket Sales	\$ 804.1
Total Proceeds	\$ 753.0
Lottery for Education Proceeds	\$ 205.8
% of Total Proceeds	27%
After-School Programs Proceeds	\$ 9.6
Total Net Lottery Proceeds	\$ 215.4

Projected for Fiscal Year Ending June 30, 2007:

	<u>As Submitted December 2006</u>	<u>Current</u>
Gross Ticket Sales	\$1,061.9 - \$1,071.9	\$1,054.7 - \$1,059.6
Total Proceeds	\$ 993.5 - \$1,003.9	\$ 987.5 - \$ 992.1
Lottery for Education Proceeds	\$ 268.4 - \$ 271.7	\$ 266.6 - \$ 272.0
% of Total Proceeds	27%	27%
After-School Programs Proceeds	\$ 12.0	\$ 12.0
Total Net Lottery Proceeds	\$ 280.4 - \$ 283.7	\$ 278.6 - \$ 284.0

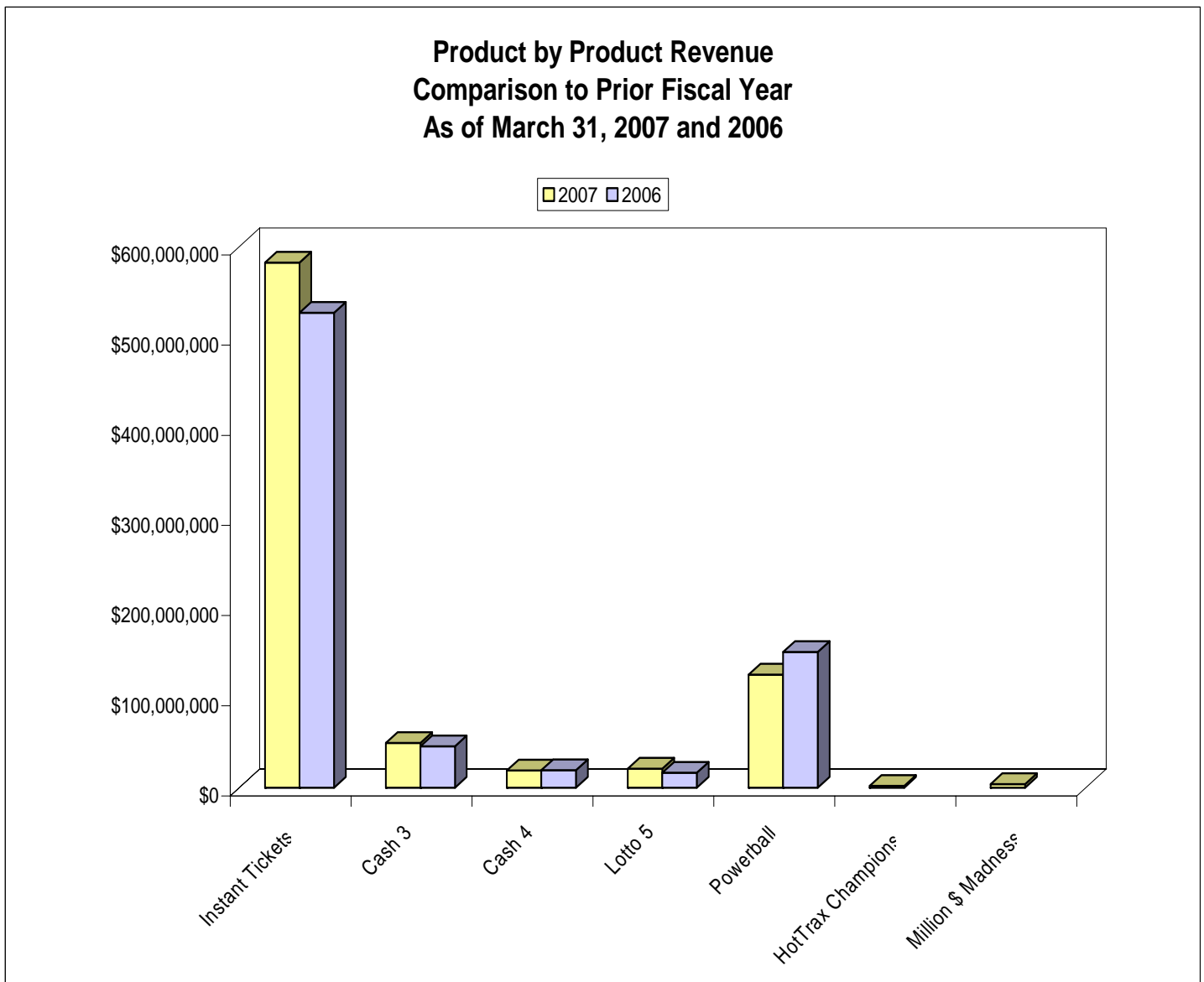
SUMMARY INFORMATION FOR FISCAL YEAR 2008:

	<u>As Submitted December 2006</u>	<u>Current</u>
Gross Ticket Sales	\$1,093.8 - \$1,105.1	\$1,101.2 - \$1,106.1
Total Proceeds	\$1,023.3 - \$1,034.0	\$1,030.4 - \$1,035.0
Lottery for Education Proceeds	\$ 273.8 - \$ 277.1	\$ 278.2 - \$ 280.1
% of Total Proceeds	27%	27%
After-School Programs Proceeds	\$12.0	\$12.5
Total Net Lottery Proceeds	\$ 285.8 - \$ 289.1	\$ 290.7 - \$ 292.6

ADDITIONAL INFORMATION

Total Sales:

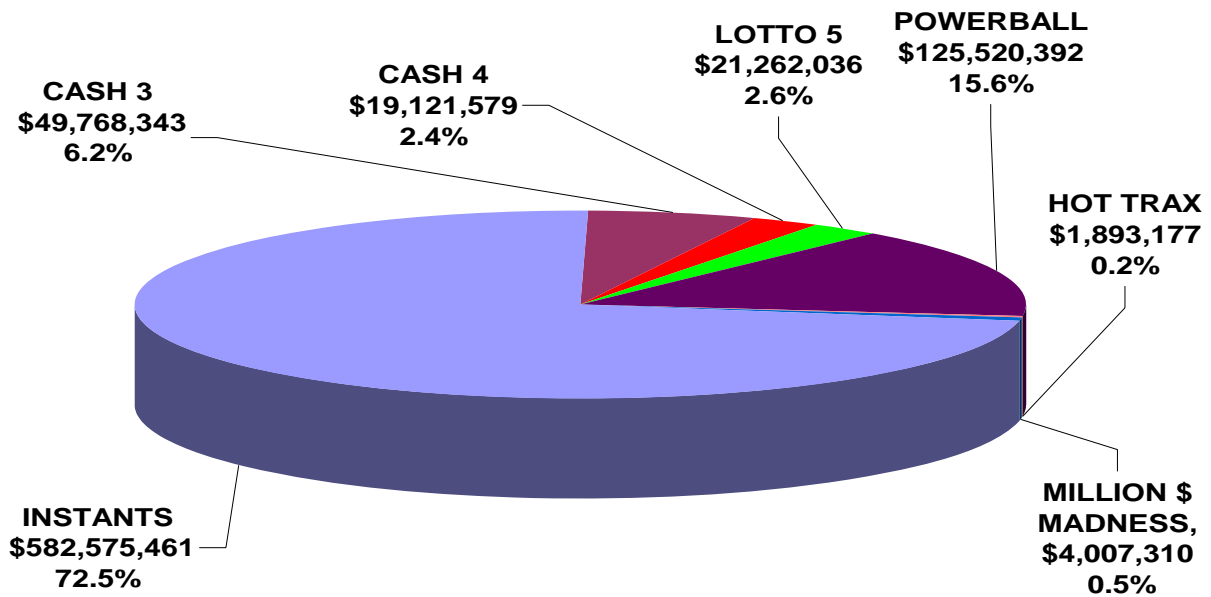
- \$804.1 Million as of March 31, 2007
- Weekly Average of \$20.5 million
- \$759.4 Million as of March 31, 2006
- Weekly Average of \$19.4 million
- \$44.7 Million Increase FY07 compared to FY06
- Weekly Average Increase of \$1.1 million



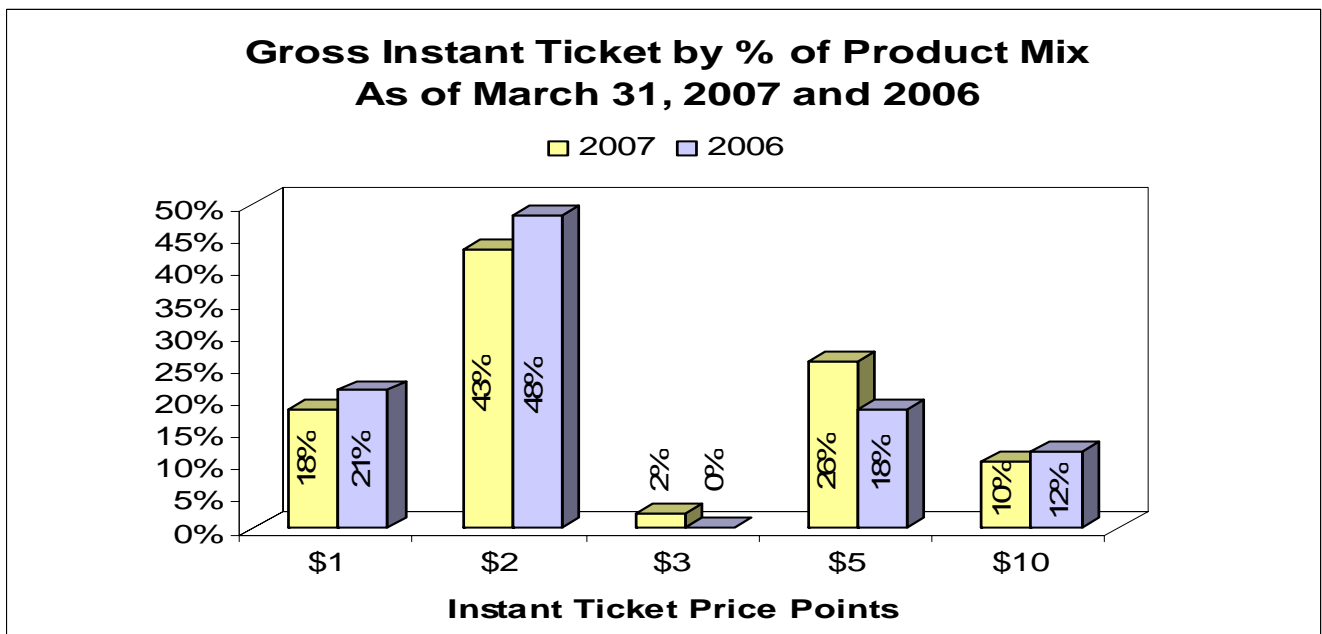
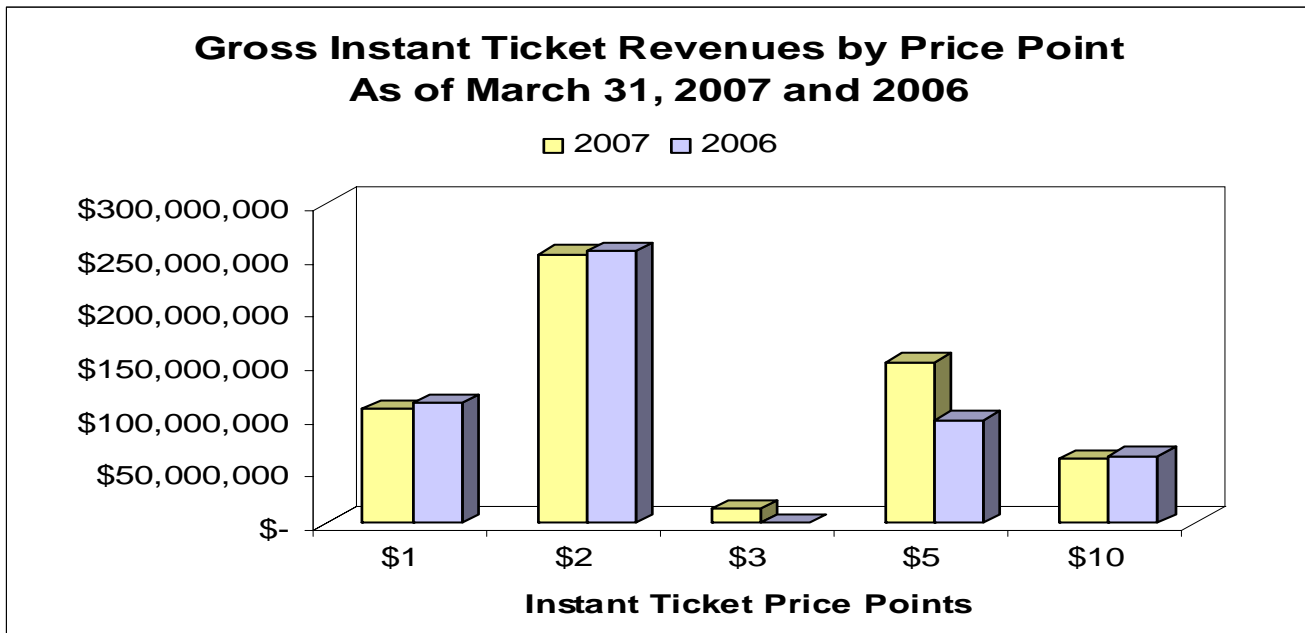
Sales By Product as of March 31, 2007:

<u>Game</u>	<u>Sales</u>	<u>% of Total</u>
Instant Games	\$ 582.6 million	72.5 %
Powerball	\$ 125.5 million	15.6 %
CASH 3	\$ 49.8 million	6.2 %
CASH 4	\$ 19.1 million	2.4 %
LOTTO 5	\$ 21.3 million	2.6 %
Millionaire Game	\$ 4.0 million	.5 %
HotTrax	\$ 1.9 million	.2 %

**TENNESSEE EDUCATION LOTTERY CORPORATION
SALES BY PRODUCT
FOR THE FISCAL YEAR TO DATE AS OF MARCH 31, 2007**



Instant ticket sales represent over 72% of total sales, with fiscal year 2007 year to date sales exceeding fiscal year 2006 year to date by \$55.6 million. The sales by price point and % mix were:



Lottery for Education Proceeds

- \$205.8 million as of 3/31/07 27.3% of Total Proceeds
- \$207.4 million as of 3/31/06 29.2 % of Total Proceeds
 - This period included the largest Powerball Jackpot since inception of \$365 million.

After-School Program Proceeds

- \$9.6 million as of 3/31/07
 - Actual, Realized Unclaimed Monies
 - Based on expired online draws and closed instant games
 - Includes \$1.875 million paid in FY 2006 (based on estimated unclaimed)

FISCAL YEAR 2007 ESTIMATES

Significant Factors Impacting Estimates

Instant Games

- Sales as of March 2007 averaged \$ 14.9 million a week
- Sales to average \$13.6 million per week for remainder of fiscal year
- Prize payout of 64 % for remainder of fiscal year

Powerball

- Sales impacted by size of jackpots
- Game design supports 2 jackpots in \$150-200 million range and 1 in \$250+ million range
- Game design expects an average jackpot cycle to \$97 million
- As of March 31, 2007, four (4) jackpot cycles have exceeded \$175 million
- For remaining 9 weeks, the low range includes a jackpot cycle to \$100 million
- For remaining 9 weeks, the high range includes a jackpot cycle to \$175 million

CASH3 and CASH4

- Sales expected to trend similar to Fiscal Year 2006 for rest of this fiscal year

Lotto 5

- Sales as of March 2007 averaged \$.54 million a week
- Sales to average \$.50 million per week for remainder of fiscal year

HotTrax Champions

- Limited retailer base with specific trade style (social spaces)
- Sales to trend similar to prior 8-week pattern (weekly average of \$90,000)

Million \$\$ Madness

- \$10 price point
- 800,000 tickets (plays) available
- Tickets went on sale January 20, 2007
- Drawing to be held on May 14, 2007
- \$4.15 million in prizes to be awarded
- Low range includes sales of \$ 7.0 million (700,000 tickets sold)
- High range includes sales of \$ 7.5 million (750,000 tickets sold)

Direct Gaming-Related Expenses

- Aggregate Prize Expense for Instant Games estimated at **65%**
- Aggregate Prize Expense for Online Games estimated at **51.2%**
- Gaming vendors' fees are % of sales per terms of each contract
- Retailer sales commissions are **6.5%** of gross sales

Non-Direct Expenses

- Advertising is estimated at \$12.1 million, or 1.1% of gross sales
- Other Gaming estimated at \$5.4 million, or 0.5% of gross sales
- General and Administrative estimated at \$14.8 million, or 1.4% of gross sales

FISCAL YEAR 2008 ESTIMATES

Significant Factors Impacting Estimates

Estimates based on industry-average growth rates for 10 years to June 2006

- Gross sales growth of approximately 4%
- Lottery for Education Proceeds growth of approximately 3%

After School Programs proceeds projected at same level as Fiscal Year 2007

- Unclaimed prizes historically have averaged 2% of available prizes
- Fiscal Year 2008 unclaimed prizes are projected at 2% of available prizes